

## Message Text

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ACTION EUR-12

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POUCHED TO ALL CONSULATES IN CANADA FOR INFO

Z.O.#11652: N/A

TAGS: ECON, ENRG, CA

SUBJ: PM TRUDEAU OPENS FEDERAL-PRONVINCIAL CONFERENCE  
OF FIRST MINISTER

1. SUMMARY: PM TRUDEAU'S OPENING STATEMENT TO FIRST MINISTERS' CONFERENCE PRESENTED CURRENT "DIFFICULT ECONOMIC AND SOCIAL BACKGROUND" WORLD-WIDE, BUT PARTICULARLY IN CANADA, AS PRELUDE TO HIS CONCLUSIONS THAT "PRICE OF OIL IN CANADA MUST GO UP -- UP TOWARDS THE WORLD PRICE." MOST OF TRUDEAU'S REMARKS DEVOTED TO DEPRESSED STATE OF WORLD ECONOMIES, REVIEW OF CANADIAN SITUATION (WITH SPECIAL EMPHASIS ON APPARENT BREAKDOWN OF COLLECTIVE BARGAINING), AND DEFENCE OF GOC POLICIES. HE ENDED WITH PLEA TO MINISTERS TO SEEK SOLUTIONS TO PROBLEM OF IMPROVING ECONOMY AND OF OIL AND GAS PRICING IN "SPIRIT OF RECONCILIATION AND AGREEMENT." END SUMMARY.

2. APRIL 9 AND 10 FEDERAL-PRINVINCIAL CONFERENCE OF FIRST MINISTERS BEGAN WITH OPENING STATEMENT BY PM TRUDEAU ON WORLD AND CANADIAN ECONOMIC SITUATION. HE SAID THAT ECONOMIC ACTIVITY FOR SOME OF CANADA'S MAIN TRADING PARTNERS  
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(U.S., JAPAN AND U.K.) WILL "REACH UNUSUALLY DEPRESSED

LEVELS BEFORE IT TURNS UP, IN PART BECAUSE OF THE MUCH HIGHER COST OF IMPORTED OIL".

3. ALTHOUGH SLOWDOWN "IN OTHER COUNTRIES BEGAN MUCH EARLIER AND HAS GONE CONSIDERABLY FURTHER THAN IN CANADA", TRUDEAU POINTED OUT THAT SINCE THE MIDDLE OF 1974, CANADIAN INDUSTRIAL PRODUCTION HAS TURNED DOWNWARDS AND UNEMPLOYMENT HAS RISEN (NOW 7.2 PERCENT SEASONALLY ADJUSTED). HE SINGLED OUT AUTOMOBILE, EXPORT AND HOUSING INDUSTRIES AS PARTICULAR SOFT SPOTS IN CANADIAN ECONOMY, AND CAPITAL SPENDING AS THE CONTINUING STRONG SECTOR.

4. TRUDEAU CLAIMED "NO COUNTRY IN THE WORLD ADJUSTED ITS POLICIES MORE PROMPTLY IN THE FACE OF ITS CHANGING ECONOMIC PROSPECTS THAN WE DID IN CANADA", AND HE CITED THE "EXPANSIONARY THRUST OF LAST NOVEMBER'S BUDGET" AS PRIME EXAMPLE. HOWEVER, HE MAINTAINED THAT "THERE ARE LIMITS TO WHAT SUCH POLICIES CAN ACHIEVE" AND THAT "GOOD LEVELS OF ECONOMIC ACTIVITY IN CANADA ARE UNLIKELY UNTIL ECONOMIC ACTIVITY IS ONCE AGAIN ON THE ROAD TO RECOVERY IN THE UNITED STATES AND IN OTHER IMPORTANT MARKETS FOR CANADIAN EXPORTS."

5. OTHER GENERAL CANADIAN ECONOMIC PROBLEMS MENTIONED BY TRUDEAU INCLUDED WORSENING OF TRADE BALANCE, DROP IN EXPORT COMMODITY PRICES AND "WAGE SETTLEMENTS THAT ARE TWICE THE SIZE OF THOSE BEING MADE IN THE U.S."

6. TRUDEAU SAID THAT GOC EFFORT TO OBTAIN NATIONAL CONSENSUS ON WAGE AND PRICE RESTRAINT "IS OF THE GREATEST IMPORTANCE" AND HE HOPED "THAT EVERY CANADIAN WILL BE PREPARED TO ACCEPT AND COOPERATE IN THE MEASURES OF SELF-DISCIPLINE THAT WILL BE NECESSARY."

7. WHILE CASTIGATING PROFITEERS IN LAND SPECULATION AND PRICE-FIXERS, TRUDEAU'S HARSHTEST CRITICISM WAS RESERVED FOR THE APPARENT BREAKDOWN IN COLLECTIVE BARGAINING IN CANADA. HE CITED ILO FIGURES SHOWING UNCLASSIFIED

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CANADA HAVING THE SECOND HIGHEST NUMBER OF WORK STOPPAGES AMONG ALL INDUSTRIALIZED COUNTRIES DURING THE LAST TEN YEARS, AND SAID "TIME AFTER TIME, FAILURE BY MANAGEMENT AND LABOR TO REACH AGREEMENT BRINGS SOME PART OF OUR ECONOMY TO A STOP". "WAGE SETTLEMENTS ARE NOT MUCH HIGHER THAN IN THE U.S." AND "ARE LIMITING OUR CAPACITY TO COMPETE IN THE WORLD".

8. LAST PART OF TRUDEAU'S SPEECH DEVOTED TO FUTURE PRICES FOR OIL AND NATURAL GAS. AS BACKGROUND, TRUDEAU TRACED HISTORY OF RECENT WORLD CHANGES IN PRICE ("MUCH OF THE RECESSION IN THE WORLD TODAY CAN BE TRACED TO THIS SUDDEN UPWARD CHANGE IN THE PRICE OF THIS BASIC COMMODITY") AND OF CANADIAN ABILITY "TO KEEP THE PRICE OF OIL AT A VERY LOW LEVEL" IN 1974 BECAUSE OF CANADIAN SELF-SUFFICIENCY. HOWEVER, SITUATION HAS NOW CHANGED, ACCORDING TO TRUDEAU, AND CANADA "WILL BECOME MORE AND MORE DEPENDENT ON WHAT OTHER COUNTRIES OVERSEAS MAY DO IN CONTROLLING THE PRICE AND EVEN RESTRICTING THE AMOUNT FOR SALE".

9. TRUDEAU STATED THAT "OUR OWN OIL SUPPLY SITUATION IS MUCH LESS FAVORABLE THAN WE THOUGHT IT WAS A YEAR AGO", AND PRODUCTION "WILL GO ON DECLINING FOR FIVE OR TEN YEARS AT LEAST. WE WILL HAVE TO REDUCE OUR EXPORTS TO THE U.S. AND INCREASE OUR DEPENDENCE ON IMPORTS FROM OVERSEAS". WITH COSTS OF EXPLORATION AND DEVELOPMENT RISING SHARPLY, TRUDEAU SAID, "WE CANNOT EXPECT THOSE WHO SEARCH FOR OIL -- WHETHER THEY BE CANADIANS OR OTHERS -- TO LOOK FOR IT AND DEVELOP IT IN CANADA IF OUR PRICES ARE FAR BELOW THOSE IN OTHER COUNTRIES".

10. TRUDEAU STATED THAT "THE PRICE OF OIL IN CANADA MUST GO UP -- UP TOWARDS THE WORLD PRICE. IT NEED NOT GO ALL THE WAY UP... BUT THE PRICE BEGINNING IN JULY WILL HAVE TO BE HIGHER THAN IT IS NOW". HE ACKNOWLEDGED THAT HIGHER PRICES WILL HAVE ADVERSE EFFECTS "ON THE POCKETBOOK OF MOST CANADIANS AND ON THE ECONOMY GENERALLY", AND SAID "ALL OUR WISDOM" WILL BE REQUIRED TO FIND A SUITABLE PRICE LEVEL.

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TRUDEAU ENDED WITH PLEA TO MINISTERS TO "WORK FOR COLLECTIVE GOOD OF ALL" AND "SEEK SOLUTIONS IN A SPIRIT OF RECONCILIATION AND AGREEMENT".  
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